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USDOC FOR 4330/IEP/WH/OSA/PFIELD
 - 6710/TD/SE/OCBE/PEGGY KESHISHIAN
 USTR FOR CHRISTINA LUND
 GENEVA FOR USTR

E.O. 12356: DECL:OADR
 TAGS: GATT, EIND, EFIN, ETRD, BR
 SUBJ: INFORMATICS: NATIONAL INFORMATICS PLAN DEBATED BUT
 BUT NOT VOTED IN SENATE

REF: (A)BRASILIA 3058 (B)85 BRASILIA 12828 (C) 85 BRASIL
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1. (C) SUMMARY: THE NATIONAL INFORMATICS PLAN (PLANIN) WAS
 NOT VOTED IN THE SENATE ON MARCH 25 BECAUSE A QUORUM COULD
 NOT BE MUSTERED. HOWEVER, ON MARCH 25, THE PLANIN WAS
 DEBATED IN THE SCIENCE AND TECHNOLOGY COMMISSION OF THE
 SENATE. SENATOR ROBERTO CAMPOS AND MINISTER OF SCIENCE AND
 TECHNOLOGY LOCKED HORNS IN A SPIRITED TWO HOUR DEBATE.
 ROBERTO CAMPOS, PILED UP DEBATING POINTS BUT NO OTHER
 SENATOR JOINED HIM IN HIS MASTERFUL GRILLING OF MINISTER
 ARCHER. DURING ONE POINT IN THE DEBATE, ARCHER CLAIMED
 THAT IT HAD BEEN DEMONSTRATED AND RECOGNIZED IN GENEVA AND
 CARACAS THAT BRAZIL'S INFORMATICS POLICY WAS CONSISTENT
 WITH INTERNATIONAL OBLIGATIONS. END SUMMARY.

2. (U) THE NATIONAL INFORMATICS PLAN (PLANIN), WHILE ON
 THE FULL SENATE'S AGENDA ON MARCH 25, WAS NOT VOTED
 BECAUSE THE PMDB/PFL COULD NOT MUSTER THE REQUIRED
 QUORUM OF 35 SENATORS. ONLY 11 SENATORS WERE COUNTED IN
 THE AFTERNOON SESSION OF THE SENATE. EASTER VACATION
 WAS THE PRINCIPAL CAUSE OF THIS NEW DELAY.

3. (U) WHILE THE PLANIN WAS NOT CONSIDERED BY THE FULL
 SENATE, IT WAS DEBATED IN A TWO HOUR, MARCH 25 SESSION
 OF THE SCIENCE AND TECHNOLOGY COMMISSION. SENATOR
 MILTON CABRAL, PRESIDENT OF THE SCIENCE AND TECHNOLOGY
 COMMISSION, INVITED MINISTER OF SCIENCE AND TECHNOLOGY,
 RENATO ARCHER TO APPEAR BEFORE HIS COMMISSION TO CLARIFY
 DOUBTS ABOUT THE NATIONAL INFORMATICS PLAN. ONLY 8
 SENATORS APPEARED TO WITNESS A SPIRITED DEBATE BETWEEN

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RENATO ARCHER AND SENATOR ROBERTO CAMPOS. THREE SENATORS, CARLOS CHIARELLI, LEADER OF THE PFL IN THE SENATE, ALFREDO CAMPOS, LEADER OF THE PMDB IN THE SENATE, AND JOSE FRAGELLI, PRESIDENT OF THE SENATE, EXCUSED THEMSELVES WHILE ARCHER WAS STILL READING HIS PREPARED OPENING STATEMENT.

4. (U) IN HIS PREPARED REMARKS, MINISTER ARCHER STRESSED THE "SURPRISING RESULTS" OF THE INFORMATICS POLICY:

--NATIONAL FIRMS HOLD OVER 50 PCT OF THE INFORMATICS MARKET;

--274 NATIONAL INFORMATICS FIRMS ARE CURRENTLY OPERATING IN BRAZIL COMPARED TO ONLY 6 IN 1977;

--25,000 PEOPLE ARE EMPLOYED IN THE INFORMATICS INDUSTRY WITH 1/3 OF THIS TOTAL HOLDING UNIVERSITY DEGREES;

--REAL GROWTH RATES OF 30 PCT PER YEAR.

5. (U) ARCHER ARGUED THAT BRAZIL MUST CONTINUE TO DEVELOP ITS OWN TECHNOLOGY BECAUSE "WE CAN NOT WAIT FOR DEVELOPED COUNTRIES TO DISINTERESTEDLY TRANSFER TECHNOLOGY". ARCHER RECOGNIZED THAT INTERNATIONAL COOPERATION WAS NECESSARY WHEN THERE IS NOT A NATIONAL ALTERNATIVE AVAILABLE.

6. (U) ARCHER CLAIMED THAT THE PLANIN HAD BEEN PRODUCED BY A VERY DEMOCRATIC PROCESS. HE NOTED THAT 50 TECHNICAL MEETINGS HAD BEEN HELD SINCE MARCH 15, 1985 AND THAT THE SEI DRAFT HAD BEEN MODIFIED IN SEVERAL INSTANCES. HE SAID THAT THERE WOULD BE A PERMANENT DEBATE ON THE PLANIN BECAUSE THE CONGRESS WOULD ANNUALLY REVIEW ITS IMPLEMENTATION.

7. (U) ROBERTO CAMPOS OPENED HIS REMARKS WITH TWO COMPLAINTS. HE NOTED THAT HE HAD BEEN INFORMED OF THIS MEETING ONLY THE DAY BEFORE WHICH DID NOT GIVE HIM SUFFICIENT TIME TO PREPARE HIMSELF. CAMPOS' SECOND COMPLAINT FOCUSED ON THE PLACING OF THE PLANIN IN "REGIME DE URGENCIA" (REF A) WHICH HE CALLED A "SEMI-DICTATORIAL" ACT.

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8. (U) ROBERTO CAMPOS CALLED THE GREAT GROWTH RATES OF THE INFORMATICS INDUSTRY CITED BY MINISTER ARCHER AS A "TRICK OF NUMBERS" BECAUSE IT DIDN'T ACKNOWLEDGE THAT GROWTH RATES WERE CALCULATED FROM AN EXTREMELY SMALL INITIAL BASE. CAMPOS CAUSTICALLY NOTED THAT ARCHER'S "PROVINCIAL VISION" CONVENIENTLY IGNORED INTERNATIONAL COMPARISONS WHICH REVEALED A DIFFERENT STORY. CAMPOS NOTED THAT THE INFORMATICS SHARE OF GDP IN BRAZIL WAS BASICALLY UNCHANGED BETWEEN 1977 AND 1984 (0.21 AND 0.23 PCT RESPECTIVELY) WHILE IN THE U.S. THE INFORMATICS INDUSTRIAL SHARE OF GDP INCREASED FROM 0.85 TO 1.35 PCT. IN EUROPE, DURING THE SAME PERIOD, IT INCREASED FROM 0.63 TO 0.98 PCT, WHILE IN LATIN AMERICA THE INFORMATICS INDUSTRY GREW FROM 0.46 TO 0.61 PCT OF GDP.

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9. (U) CAMPOS ATTACKED ARCHER BY OBSERVING THAT, ONLY IN BRAZIL, A MINISTER OF SCIENCE AND TECHNOLOGY WOULD TALK ABOUT TECHNOLOGICAL AUTONOMY. NO OTHER COUNTRY IN THE WORLD IS WORRIED ABOUT THIS, ACCORDING TO CAMPOS. INSTEAD, COUNTRIES LIKE JAPAN, CHINA AND GERMANY ARE BUSY IMPORTING TECHNOLOGY AND FOSTERING JOINT VENTURES. CAMPOS AFFIRMED THAT THE BRAZILIAN MARKET IS TOO SMALL TO LIVE IN THE "FANTASY OF TECHNOLOGICAL INDEPENDENCE".

10. (U) CAMPOS THEN TURNED HIS ATTENTION TO SPECIFIC DEFICIENCIES INHERENT IN THE PLANIN AS PRESENTLY FORMULATED:

--CAMPOS NOTED THAT THERE WAS NO CALCULATION OF THE COSTS TO THE TREASURY OF THE FISCAL INCENTIVES OFFERED. CAMPOS CUTTINGLY OBSERVED THAT THE PLANIN WAS PRESENTED AT THE SAME TIME THAT THE GOVERNMENT WAS PRESSING CONGRESS TO RAISE TAXES TO COVER A CR 60 TRILLION FISCAL DEFICIT. CAMPOS REQUESTED AN ESTIMATE OF THE FISCAL COST OF EACH INCENTIVE CONTEMPLATED IN THE PLANIN. --CAMPOS WANTED TO KNOW SEI'S CRITERIA FOR LICENSING IMPORTS AND HOW LONG IT TAKES TO OBTAIN AN IMPORT PERMIT;

--CAMPOS NOTED THAT ALTHOUGH ARTICLE 24 OF THE INFORMATICS LAW ESTABLISHES EXPORT DISTRICTS, THE PLANIN DOES NOT MENTION WHERE OR HOW THESE DISTRICTS WILL BE ESTABLISHED;

--CAMPOS REQUESTED AN EXPLANATION OF HOW THE PLANIN RESOLVES THE TURF DISPUTE BETWEEN THE MINISTRY OF COMMUNICATIONS AND SEI;

--CAMPOS ARGUED THAT SEI, BY QUALIFYING ONLY THREE COMPANIES TO PRODUCE MICROELECTRONICS GOODS, HAD CREATED AN OLIGOPOLY THEREBY VIOLATING ANTITRUST LAWS;

--CAMPOS CONTENDED THAT PLANIN DID NOT RESOLVE THE ISSUE OF DIFFERENTIATED INCENTIVES FOR THE NORTHEAST. HE CONTENDED THAT WITHOUT DIFFERENTIATED INCENTIVES THE NORTHEAST WILL BE CONDEMNED TO "TECHNOLOGICAL STARVATION";

--CAMPOS ASKED WHY THE MARKET RESERVE WAS NECESSARY FOR INFORMATICS WHEN BRAZIL HAD DEVELOPED A COMPETITIVE CONSUMER ELECTRONICS INDUSTRY WITHOUT MARKET RESERVE.

11. (U) RENATO ARCHER RESPONDED TO CAMPOS'S MASTERFUL 40 MINUTE EXPOSITION BY AFFIRMING THAT IF THE MARKET RESERVE WAS LIFTED, THE COUNTRY WOULD RETURN TO THE 1977 SITUATION WHERE A FEW MNC'S DOMINATED THE MARKET.

12. (U) ARCHER THEN CLAIMED THAT MNC'S HAVE NO REASON TO COMPLAIN. ARCHER NOTED THAT INFORMATICS IMPORTS GREW 15 PCT PER YEAR BETWEEN 1980-1984. HE ALSO SAID THAT WHILE OVERALL NEW AMERICAN INVESTMENT FELL BETWEEN 1981-1983, INVESTMENT BY AMERICAN INFORMATICS FIRMS GREW IN THE SAME PERIOD. ARCHER CLAIMED THAT THERE ARE MNC'S PROPOSING LARGE INVESTMENTS IN THIS AREA AND SEI IS CURRENTLY STUDYING THESE PROPOSALS.

13. (U) ARCHER THEN CLAIMED THAT THE GOB HAS TWICE DEMONSTRATED TO THE US (IN GENEVA AND IN CARACAS) THAT C O N F I D E N T I A L SECTION 03 OF 03 BRASILIA 03314

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THE BRAZILIAN POSITION ON INFORMATICS IS CONSISTENT (ENCUADRA) WITH BRAZIL'S INTERNATIONAL OBLIGATIONS. HE STRESSED THAT GATT RULES ALLOW THE INFORMATICS POLICY TO BE ESTABLISHED ON BALANCE OF PAYMENTS, INFANT INDUSTRY AND NATIONAL SECURITY GROUNDS. HE FURTHER CLAIMED THAT THIS POSITION HAS BEEN RECOGNIZED (FOI RECONOCIDO) AS LEGAL. HE WAS CAREFUL NOT TO SPECIFY WHO RECOGNIZED THIS POSITION BUT LEFT THE IMPRESSION THAT THE U.S. HAD NOTHING TO COMPLAIN ABOUT.

14. (U) CAMPOS, WHO WAS LIMITED TO A 10 MINUTE REJOINDER, NOTED THAT THE BRAZILIAN "ULTRA-CLOSED" INFORMATICS MODEL IS CAUSING BRAZIL TO LAG BEHIND OTHER COUNTRIES. HE CITED SCOTLAND AS AN EXAMPLE OF A COUNTRY WHICH BEGAN ITS OPEN INFORMATICS MODEL AT THE SAME TIME AS BRAZIL ADOPTED ITS OWN MODEL. CAMPOS NOTED THAT SCOTLAND TODAY, IN CONTRAST TO BRAZIL, IS A GREAT EXPORTER OF INFORMATICS GOODS. KOREA, ACCORDING TO CAMPOS, EXPORTED 1 BILLION DLRS IN INFORMATICS GOODS LAST YEAR. CAMPOS NOTED THAT CHINA WELCOMED A COMPUTERIZED NUMERICAL CONTROL JOINT VENTURE AFTER BRAZIL TURNED IT DOWN. HE NOTED THAT SEI HAD ILLEGALLY PROHIBITED MOTOROLA FROM BUILDING A MICROELECTRONICS PLANT. THE RESULT OF THIS "WISE POLICY" IS THAT BRAZIL CONTINUES TO IMPORT MOTOROLA INTEGRATED CIRCUITS INSTEAD OF PRODUCING THEM.

15. (C) PEDRO FERREIRA, LEGISLATIVE AIDE TO SENATOR CAMPOS, TOLD ECONOFF THAT HIS BOSS WILL CONTINUE TO ATTEMPT TO DELAY THE PLANIN BY TRYING TO WIN SENATE APPROVAL OF A "SYMPATHETIC AMENDMENT". AN EXAMPLE OF A SYMPATHETIC AMENDMENT WOULD BE AN AMENDMENT GUARANTEEING DIFFERENTIATED INCENTIVES FAVORING INFORMATICS FIRMS LOCATED IN LESS DEVELOPED REGIONS. SHOULD A "SYMPATHETIC AMENDMENT" BE APPROVED, THE PLANIN WOULD HAVE TO BE SENT TO THE CHAMBER OF DEPUTIES FOR ITS APPROVAL.

WATSON

END OF MESSAGE

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